

# ***FYI – For Your Information***

## ***Agriculture Value-Added Cash Fund Credits***

For tax years beginning on or after January 1, 2001 during which the state's fiscal year ends with a qualified surplus, two income tax credits are available for taxpayers that make investments or contributions to the agriculture value-added cash fund in Colorado.

**NOTE: The agricultural value-added tax credit and the agricultural value-added cash fund tax credit are not available for tax years 2002 through 2010. The State of Colorado did not have a sufficient budget surplus for the years ending June 30, 2002 through June 30, 2005 and as a result of Referendum C that passed at the November 2005 statewide election, there will not be a budget surplus refund for the years ending June 30, 2006 through June 30, 2010.**

*The agriculture value-added cash fund was created to support eligible agricultural value-added cooperatives for new or ongoing rural agricultural business projects that add value to Colorado agricultural products and aid the economy of rural Colorado communities.* [§35-75-201, C.R.S.].

### **AGRICULTURAL VALUE-ADDED TAX CREDIT**

Colorado resident individuals and C corporations may claim a credit for investment in agricultural value-added projects to the extent the credit is

approved by the Colorado Agricultural Value-Added Development Board. Each taxpayer's credit is equal to the lesser of \$15,000 or 50 percent of their investment for each project. [§39-22-527, C.R.S.].

#### *Project limitations*

Each project, in order to be considered for approval by the Colorado Agricultural Value-Added Development Board, must be developed by an eligible agricultural value-added cooperative or a business entity that is located solely in Colorado. The total amount of tax credits allowed with respect to any one project will not exceed \$1.5 million. If members of a cooperative or pass through entity would be eligible for tax credits in excess of \$1.5 million for a project, credits shall be prorated to each member on a percent of investment basis, not to exceed the maximum allowed per member.

#### *Limitations to the agricultural value-added tax credit*

- A taxpayer may not claim more than \$100,000 per year under the agricultural value-added tax credit for all projects in which they invested. A taxpayer filing married filing separate may not claim a credit of more than \$50,000 per year. Related corporations may not claim credits of more than \$100,000 per year in the aggregate for the corporate group.
- The total agricultural value-added tax credits issued by the Colorado



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Agricultural Value-Added Development Board each fiscal year shall not exceed \$4 million.

- S corporations, partnerships and other pass through entities may receive tax credits of up to \$100,000 per year. The credits will be passed through to its shareholders or partners in the same ratio as profits and losses are shared. If any credit is passed to an individual who is a nonresident of Colorado, the credit cannot be claimed by that taxpayer and it cannot be allocated to other shareholders or partners who would be eligible to claim the credit.
- This tax credit is limited to the amount of the net tax liability in the year of the investment. There is no carry forward of this credit to future income tax years.

#### ***AGRICULTURAL VALUE-ADDED CASH FUND TAX CREDIT***

Colorado residents and C corporations may claim a credit for monetary contributions paid to the Colorado Agricultural Value-Added Development Board to support rural business enterprises. The credit will be up to 100 percent of the contribution and must be approved by the Board. [§39-22-528, C.R.S.]

#### ***Limitations to the agricultural value-added cash fund tax credit***

- The maximum agricultural value-added cash fund tax credit a taxpayer may claim during any tax year is \$100,000 per year. A taxpayer filing married filing separate may not claim a credit of more than \$50,000 per year. Related corporations may not claim credits of more than \$100,000 per year in the aggregate for the corporate group.
- The agricultural value-added cash fund tax credit cannot be claimed by a taxpayer based on a monetary contribution made while a member, owner, investor, or lender of an eligible cooperative at the time the contribution is made or for up to two years thereafter.

- The total agricultural value-added cash fund tax credit issued by the Colorado Agricultural Value-Added Development Board each fiscal year shall not exceed \$4 million less the agricultural value-added tax credits that are granted for that year.
- S corporations, partnerships and other pass through entities may receive tax credits of up to \$100,000 per year. The credits will be passed through to its shareholders or partners in the same ratio as profits and losses are shared. If any credit is passed to an individual who is a nonresident of Colorado, the credit cannot be claimed by that taxpayer and it cannot be allocated to other shareholders or partners who would be eligible to claim the credit.
- This tax credit is a refundable credit in the year of the contribution. There is no carry forward of the credit to future income tax years.

#### **Supporting Documentation**

Credit claims must be accompanied by a tax credit certificate from the Colorado Agricultural Value-Added Development Board, attesting to the value of the investment or contribution and the amount of each credit available for the tax year. Contact the Development Board at (303) 239-4100 for additional information.

#### **Part-year Residents and Nonresidents**

A part-year resident of Colorado may claim these credits if the investment or contribution was made while they were a resident of Colorado. Nonresident individuals of Colorado cannot claim these credits.

#### **Definitions**

Monetary contribution, for the purpose of this tax credit, means cash.

Eligible agricultural value-added cooperative means a cooperative association formed pursuant to article 55 or 56 of title 7 C.R.S., for the purpose of operating a development facility and that meets the eligibility criteria established by the Colorado Agricultural Value-Added Development Board.

### **Qualified Surplus**

The qualified surplus that is needed for the agriculture value-added cash fund credits to be available in any given tax year is a \$513.5 million surplus that must be refunded under the Taxpayer's Bill of Rights (TABOR), section 20 of Article X of the state constitution. The \$513.5 million amount will be adjusted for the rate of growth of Colorado personal income.

### **Common Questions**

*I received a credit that was passed through from a partnership. What documentation should I attach to my income tax return when I claim the credit?*  
Attach a copy of the partnership's certificate attesting to the amount of the credit. Include a statement detailing the ratio that profits and losses are shared by the partnership to indicate how your portion of the credit was computed.

### ***FURTHER INFORMATION***

FYIs, commonly used forms and additional tax information are available on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)

For additional Colorado tax information visit the "Tax Information Index" which covers a variety of topics including links to forms, publications, regulations, statutes and general questions and answers. The "Tax Information Index" is located at [www.taxcolorado.com](http://www.taxcolorado.com)

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved these FYIs.